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TO RUEHC/SECSTATE WASHDC 3262
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RUEHLP/AMEMBASSY LA PAZ 1668
RUEHPE/AMEMBASSY LIMA 9873
RUEHQT/AMEMBASSY QUITO 1740
RUEHAO/AMCONSUL CURACAO 0602
RUEHGL/AMCONSUL GUAYAQUIL 0299
RUEHMI/USOFFICE FRC FT LAUDERDALE 2821
RHEHNSC/NSC WASHDC
RUMIAAA/HQ USSOUTHCOM MIAMI FL
RUCPDOG/DEPT OF COMMERCE

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SUBJECT: CARACAS BRIDGE CLOSURE: WEEK SIX

REF: A. CARACAS 00043
[1](#)B. CARACAS 000126

This message is sensitive but unclassified, please treat accordingly.

SUMMARY

[1](#)1. (SBU) Six weeks after the Caracas-La Guaira bridge closure, transportation remains cumbersome and important sectors of the greater Caracas-area economy continue to be affected. BRV plans for a February 26 opening of the bypass road will not restore pre-closure traffic volume. U.S. airlines have cancelled some flights and port traffic has flowed away from La Guaira. The closure is expected to continue to be a drag on GDP growth and increase inflationary pressures. The coastal state of Vargas has suffered the most, and the BRV has responded by enacting tax breaks and subsidies for truckers and Vargas businesses. Post continues to require Embassy personnel and dependents to use Embassy armored vehicle shuttles to travel to/from the coast. So far, the prior lack of BRV attention to infrastructure problems has had minimal negative impact on President Chavez himself. End Comment.

BYPASS ROAD NOT PANACEA

[1](#)2. (SBU) The BRV has stood firm on its February 26 deadline to open the bypass road, a two-lane highway skirting the mountainside along the bridge. Currently, the primary alternate route continues to be the "Old Highway," with a travel time averaging between two and seven hours and heavy cargo restrictions. The secondary alternate route over the Avila Mountain and through Galipan has an average travel time of 1.5 hrs, though it can only be utilized in daylight hours and with four-wheel-drive vehicles. The Ministry of Infrastructure (MINFRA) has plans for a new parallel bridge by March 2007, six months earlier than originally announced. (Note: We remain highly dubious about the March 2007 date. End note).

[1](#)3. (SBU) According to MINFRA, the 2.5 km bypass road will be open to all traffic at all hours. Engineering groups,

however, estimate the road will only support 30 percent of prior bridge highway traffic volume. The Venezuelan Engineering Association expressed doubts about the quality of this hastily-built road, as it lies on the same parts of the mountain whose shifting led to irreparable cracks on the bridge. Moreover, the rainy season, which starts in April, will likely cause mudslides and road damage. MINFRA blueprints of the road show up to a 7 percent grade on some stretches, which is very steep for cargo trucks, as well as multiple tight turns difficult for trucks to maneuver. MINFRA has not addressed this issue publicly, yet poor truck maintenance and the slow speed of required travel could pose significant bottlenecks.

AIRLINES AND PORTS SHRINK OPERATIONS

14. (SBU) In the first three weeks following the closure, U.S. airlines reported modest cancellations, since most travelers were using previously-booked holiday tickets. However, by Jan 26, American Airlines cancelled half of its Miami-Caracas flights, Continental changed flight times for Houston and Newark routes. Delta's schedule remained unchanged. Airline representatives met with the Ambassador and expressed concerns about decreasing demand if the situation didn't improve. Aeropostal, the major Venezuelan airline, reported a 43 percent drop in January sales. European airlines, who mostly use Caracas as a regional hub, have reportedly experienced less of a demand decrease.

15. (SBU) The effect of the bridge closure on the Port of La Guaira is unclear. SENIAT, the customs and internal revenue

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agency, reported that the port is 100 percent operational, though the president of the National Association of (Port) Agents said that 50 percent of the cargo has been diverted to nearby Puerto Cabello. Lending credence to lower volume, the La Guaira Port Authority announced on January 22 that it would keep old tax rates as an incentive to retain business.

ECONOMIC IMPACT

16. (SBU) According to a study by the economic consulting firm, MetroEconomica, the closure of the bridge will cause an estimated 2 percentage point contraction in GDP growth. The Caracas-Vargas region generates about 24 percent of Venezuela's non-oil GDP, and 20 percent of total GDP, which makes it a significant artery of economic activity for the country. MetroEconomica, as well as the Venezuelan-American Chamber of Commerce (VenAmCham) estimate that inflation will rise by 1.5 percentage points, mainly due to a reported 400 percent increase in transportation costs. Both organizations recognize that the opening of the bypass road will mitigate these pressures.

VARGAS IS HIT HARDEST

17. (SBU) Since the closure of the bridge, Vargas' tourism has decreased 70 percent and nearly all businesses have felt the impact of the closure. Hospitals report critical staff shortages due to long commute times, and grocery stores report interruptions in supply of products from the interior. The BRV has pledged USD 63 million in assistance, which includes subsidies for airline jet fuel, gasoline subsidies for truckers and public transportation, sales and port tax exemptions, fare subsidies for taxi and bus drivers, and salary guarantees.

CONTINUED IMPACT ON POST OPERATIONS

18. (SBU) Post continues to operate armored vehicle shuttles twice daily on the "Old Highway" and has authorized travel on the Galipan route for official offroad vehicles during the daytime. Long travel times continue to hamper Embassy operations and increase costs, as Embassy employees and TDYers must now plan an entire day to travel back and forth from the airport. As expected, this has affected morale and has decreased official and recreational travel. When the bypass road opens, Post will re-evaluate travel restrictions and transport costs.

COMMENT

19. (SBU) We expect the bypass road will somewhat alleviate problems caused by bridge closure, however, bottlenecks will likely slow traffic and continue to make traveling to/from the coast a production. (Note: An estimated 2,000 tractor-trailers traveled the highway before the collapse, and now only 800 make the trip on the "Old Highway." End Note.) The bridge incident has proved embarrassing for the BRV, highlighting the lack of attention by Chavez on what was widely recognized as a pressing problem. Suprisingly, the BRV has yet to pay a political cost for the bridge collapse, despite efforts by the media and opposition groups to highlight the issue. Until the government provides a solution that restores the prior traffic flow, travel will continue to be burdensome and the sectors of the economy, particularly in Vargas, will continue to suffer. End Comment.
BROWNFIELD